

Budget Reference Materials



OVERVIEW

The following materials are included in this section to facilitate the reader's understanding of the Financial Plan document and preparation process:

- Frequently Asked Questions
- Budget Process
- Budget Policies and Practices
- Statistical Information - Includes selected financial and demographic information, generally presented on a ten year historical basis.
- Appropriations Limits
- Long-term Debt Obligations
- Donations
- Fund Structure Chart
- Budget Glossary - The Annual Budget contains a number of terms that may be used in a manner unique to public finance or the City's budgetary process. The purpose of the Budget Glossary is to provide common terminology in discussing the City's financial operations.
- 2005-06 budget adjustments.
- 2006-07 Budget Resolutions, including Appropriation Limit resolution

Frequently Asked Questions



Why can't redevelopment funds be used to pay for public safety expenses?

California State Law makes available to redevelopment agencies a method of obtaining funds called "tax increment financing." On the date the redevelopment plan is approved, the property within the boundaries of the plan has a certain base property tax assessed value. As this assessed valuation increases, most of the taxes that are derived from the increase go to the Redevelopment Agency. In order for these funds to be expended, the agency must determine that the proposed expenditure meets the intent of the local redevelopment plan and State Law, therefore these funds are restricted and cannot be used for General Fund purposes.

What is the biggest budget issue facing the City in the coming year?

As has been the case for a number of years, the most difficult budget issue facing the City is identifying adequate resources to fund an ongoing deferred maintenance program. Past budget messages have highlighted the issue of the lack of discretionary funds for maintenance purposes. Securing permanent funding for on-going operating expenditures will be a continuing challenge as the City sees funds taken away by the State as a way to reduce their budget deficits.

Why is it necessary to have a Working Capital reserve?

Sufficient levels of unreserved Working Capital can help to ensure the continued orderly operation of government and the provision of services to residents. The maintenance of such stability is important when considering the possible effects of external influences, such as an economic downturn, on the government's financial condition. Those governments that have recognized the economic uncertainty facing governments, and that have had the foresight to develop adequate financial resources in response to this uncertainty, will be able to deal much better with the consequences of a slowing economy than those who have not. Also a Working Capital reserve may also be legally required, such as by bond indentures. Each city has its own method for calculating its minimum Working Capital reserve. Some use from as little as 3% to as much as 20% of their operating budget. The City calculates its minimum Working Capital reserve as 60 days of the operating budget.

Where is the "real" budget?

The operating budget as presented in this document is in a summary format that shows program expenditures by the categories of "Salaries and Benefits", "Services and Supplies", "Capital Outlay" and "Capital Leases." Salaries and Benefits consist of all personnel-related costs. Services and Supplies include all operational expenditures necessary for a department's function, while Capital Outlay refers to purchases of assets with useful lives greater than one year. Capital lease expenditures are payments made for lease purchase agreements. These categories consist of many different "line items," the details of which would be far too cumbersome to present in this document and are, therefore, compiled separately in the operating budget line item detail document, which consists of the underlying detailed budget work papers.

Frequently Asked Questions



What are the major General Fund revenues?

The largest source of revenue for the City's General Fund is sales tax, representing 35% of total General Fund revenues. Representing less than 10% each are the Transient Occupancy Tax at 8.0% and property taxes at 6%.

What is the General Fund's largest expense?

\$7,191,478 or 34% of General Fund operating expenditures is spent on police services; this represents the largest operating budget of the City. Next is the fire services operating budget with \$4,235,550 or 20% of General Fund operating expenditures. The largest expense item is for personnel (salaries & benefits) which are \$15,215,887 or 71% of General Fund operating expenditures.

What is Utility Users' Tax revenues used for?

Per voter approval on November 5, 2002, Measure "X", the voter Utility Users' Tax, was extended "to fund essential services such as police, fire, street maintenance, and parks and recreation" as well as other general fund activities.

How can the City spend money on the Mad River Water Pipeline and not pave my street?

The Mad River Water Pipeline project is financed by a bond issue which is restricted, and, therefore, not eligible for General Fund activities such as street paving.

What is the "Triple Flip" and why is the City experiencing a delay in receiving State money?

To resolve the State budget crisis, a State law was passed last year to take 25% of the City's sales tax money and use it to pay State debt over the next fifteen years. This sales tax money will be replaced by property tax funds held by the County. This means that 75% of the sales tax revenues received by the City will be paid to us each month. The other 25% will come to the City through the County along with property tax funds and will be received only twice a year.

Budget Process



The budget process was designed to provide a strategic planning focus for the development of the City's Annual Budget.

Phase I: Goal Setting and Long Term Financial Planning

The focus on strategic goals, initiatives, and tactics led the City Council in 1997 to adopt City goals in relation to the issues of development, redevelopment, promotion, and retention. These goals have been implemented in Annual Budgets following that adoption. The Finance Advisory Committee continues to study City policies to make updated recommendations to the City Council on new and continuing strategic goals, initiatives, and tactics. The City Council has just concluded the process of establishing their vision for the community.

Phase II: Capital Improvement Planning

Annually a Five-Year Capital Improvement Plan (CIP) is prepared. Departments prepare prioritized project requests during the annual budget process coordinated with the CIP, departmental services and facilities plans. Recommended citywide funding priorities are determined and the City Manager and Department Heads approved priority lists for Capital Improvement Program for consideration in the Annual Budget.

Phase III: Department Operating Budget Requests

City departments prepare requests for operating budgets: to maintain current base operations and services and for service enhancements. Department budgets are prepared consistent with the budget development policies and procedures. These procedures tighten base budgets while focusing on priority changes needed.

Phase IV: Proposed Budget to City Council

Annually, in June, the Proposed Budget is presented to the City Council. Included in this budget are recommendations for: the base budget, service enhancements to meet increased demand, and priority capital projects. These recommendations are described in the Budget Message at the front of this document.

Phase V: City Council Reviews Proposed Budget

The recommendations are discussed by the City Council in budget workshops set forth by the Council. The City Council determines when public hearings will be held and public notices will be sent out at that time. The Finance Advisory Committee, appointed by the City Council reviews the proposed budget revenues and appropriations.

Phase VI: Final Adoption

Prior to June 30, the City Council approves the Proposed Budget as adopted following a public hearing process.

FY 2006-07 Budget Preparation Calendar



Process Deadlines Process Description

3/6/06	Finance - Initial meeting with departments to discuss budget process. Finance - Meet with designated department budget staff to distribute 2005-06 estimated actual expenditure worksheets. Finance - Meet with departments to distribute 2006-07 budget worksheets, including program reductions, capital outlay, and program/performance data worksheets. Finance - Project update and new project worksheets distributed to Engineering and Public Works.
3/27/05	Departments – 2005-06 estimated actual expenditures submitted to Finance (operating budgets). Departments - Completed 2006-07 operating budget worksheets submitted to Finance.
4/3/06	Finance and City Manager review of proposed operating budgets.
4/7/06	Finance, Personnel and City Manager review of Service Alternatives. Departments - Completed project forms due back to Finance from Engineering and Public Works.
4/08-4/14/06	Finance and City Manager meet with individual departments to review requested operating budgets. Departments - Submit program/performance worksheets for discussion during review.
4/28/06	Review of capital project requests by Finance, Engineering, Public Works and City Manager.
6/07/06	Proposed budget submitted to City Council. Council adopts schedule of budget study sessions and public hearings. Finance Advisory Committee meets with city staff to review proposed budget.
6/06/06	Finance - Notice public hearings on proposed budget.
6/13-6/17/06	Council budget study sessions.
6/20/06	Adopt 2006-07 operating and capital budget following public hearing.

Budget Policies & Practices



The City Council has adopted a set of budgetary and financial policies as recommended by the Finance Advisory Committee. These policies are presented below, along with other long-standing policies.

GENERAL

Budget decisions will be driven by City Council vision, values and priorities.

The City Manager will provide a financial impact analysis of all policy initiatives, service changes and new projects.

CITIZEN INVOLVEMENT

Citizen involvement shall be encouraged in the annual budget decision making process through public hearings.

BUDGET SYSTEM

The City will maintain a budget control system to adhere to the budget.

Decision making for capital improvements will be coordinated with the operating budget to make effective use of the City's limited resources for operating and maintaining facilities.

OPERATING BUDGETS

The City uses a program budget. The program level is the lowest level in the organization for which budgets are prepared. Each program's budget will include financing and spending plans.

Each program will also propose an annual performance plan. The plan must identify ongoing program objectives and corresponding indicators which measure performance. The plan should also include specific project objectives which have results during the budget year. All performances at the program level must meet the budget goals and policies established by the City Council.

Department and program managers will not exceed the Council-approved appropriations for personal services, materials and services, and capital outlay.

CAPITAL IMPROVEMENTS

The City will actively pursue grant and other outside funding sources for all capital improvement projects.

The City will undertake to maintain all of its assets at a level adequate to protect the City's capital infrastructure and to minimize future maintenance and replacement costs. The City will use a Five-Year Capital Improvement Plan to systematically plan, schedule, and finance capital projects as determined by the City Council. The five-Year Plan will include major ongoing maintenance and rehabilitation costs to existing infrastructure and facilities, as well as the cost of new facilities or capital improvements.

Whenever the City finances capital projects by issuing long-term debt, it will repay the debt within a period not to exceed the expected useful life of the project.

Budget Policies & Practices



WORKING CAPITALS

Unappropriated revenues and Working Capitals in governmental funds at the end of each fiscal year will be appropriated for future use into a "Reserve for Working Capital."

The appropriation of carryover Working Capitals must be approved judiciously. This should ensure that ongoing expenditures will be budgeted only to the extent that proven revenue streams exist.

STABILIZATION FUNDS (RESERVES)

General Fund

The General Fund Working Capital should be adequate to handle extraordinary unbudgeted expenditures and economic downturns, which could cause revenues to come in lower than estimated. The minimum Working Capital should be 60 days of the operating expenditures, not including designated or reserved components of Working Capital (approximately \$3.2 million for 2006-07). All budgetary decisions will be viewed in light of this goal. The City shall undertake to reach this goal by budgeting a minimum of \$250,000 per year to increase the Working Capital until the goal is reached.

The City policy during the 2006-07 year

Once this goal is attained, should the Working Capital fall below 60 days of operating expenditures, a plan for expenditure reductions and/or revenue increases shall be submitted to the City Council via the Finance Advisory Committee. If, at the end of a fiscal year, the Working Capital falls below 60 days of operating expenditures, then the City shall rebuild the balance within one year.

The City policy

If the Working Capital exceeds 60 days of operating expenditures, the difference may be used to fund the following activities:

- One-time capital expenditures which do not increase ongoing City costs
- Other one-time costs
- Capital maintenance projects
- To increase reserves

The City policy

A minimum of \$50,000 will be allocated on an annual basis to be deposited in the Contingency Reserve Fund to fund ongoing capital maintenance.

Enterprise Funds

Appropriate levels of contingency funds will be determined and maintained in the City's enterprise funds. As with the General Fund, an amount approximating 60 days of operating expenditures should be maintained in the City's Water, Wastewater, Transit and Harbor funds. Those amounts are \$554,954, \$576,061, \$262,888 and \$99,133 respectively. Equity balances will also include amounts to be used for future capital projects.

Budget Policies & Practices



The City policy

The City will establish reserves to comply with the terms and conditions of the debt instruments and grants used to finance capital projects. Current reserve requirements are listed below.

1973 Municipal Harbor Improvement Bonds: The City maintains at least one year's debt service as a reserve.

California Department of Boating and Waterways Loan: The City is required to deposit annually: \$20,000 into a Dredging Reserve Fund for the term of the Loan Contract (until 2028) to pay for the cost of a five year dredging cycle program; \$100,000 into a Debt Service Reserve Fund until the balance equals (including interest earned thereon) \$1,000,000; \$30,000 annually into a Capital Improvement Reserve for the term of the Loan Contract to pay for all anticipated costs of berth replacement and other normally occurring capital improvements within the project area (Small Boat Basin).

EPA Wastewater Treatment Plant Grant: The City is annually depositing \$250,000 into a Reserve for Treatment Plant Replacement, to be capped at \$3,700,000, and \$150,000 into a Reserve for Collection Facilities Replacement, to be capped at \$2,000,000.

Internal Service Funds

The City will maintain adequate reserves to fund claims and increased costs in Risk Management Fund that houses the Workers Compensation, Liability and Group Health and Benefits insurance benefits. Adequate reserves are estimated to be:

Risk Management Fund \$1,000,000

The City policy

The City will maintain adequate reserves to fund scheduled vehicle maintenance and replacement in the Equipment Operations Fund.

The City policy

The City will maintain adequate reserves to fund scheduled computer maintenance and replacement in the Information Technology Operations Fund.

The City policy

REVENUES AND FEES:

The City will endeavor to maintain a diversified and stable revenue base to minimize the effects of economic fluctuations on revenue accumulation.

The City currently follows this policy

The level of user fee cost recovery should consider the *community-wide* versus *special service* nature of the program or activity. The use of general purpose (tax) revenues is appropriate for community-wide services, while user fees are appropriate for services which are of special benefit to easily identified individuals or groups.

Budget Policies & Practices



The City policy

The City will set fees and rates at levels which fully cover the total direct and indirect costs including debt service, reserve requirements, and capital costs of the following enterprise programs:

- Water Utility
- Wastewater Utility
- Building
- Humboldt Bay

The City policy

The City will set transit fare charges adequate to maintain a cost fare box ratio• sufficient to comply with the Transportation Development Act.

The City currently follows this policy

Fees will be reviewed annually, and after recommendations from staff for adjustments, the City Council shall annually adopt a resolution establishing fees and service charges for the City. Items to be considered when reviewing fees include:

- Comparability with other communities
- Special benefit
- Service recipient vs. service driver
- Effect of pricing on the demand for the service
- Feasibility of collection and recovery
- Factors that favor low cost-recovery levels
- Factors which favor high cost-recovery levels

The City currently follows this policy

The following fee cost recovery policies apply:

Recreation fees: Charges will be assessed for use of City facilities, gymnasiums, ball fields, special use areas, and recreation equipment for activities not sponsored or con-sponsored by the City. Such charges will generally conform to the fee-supported categories listed below. Activities covered include commercial, private non-profit, youth, and schools.

The following programs are considered "maximum" user fee-supported programs, which should recover 100 percent of direct program costs, along with a percentage of indirect program costs, as follows:

Youth and Adult Sports	50%
Special Classes	85%
Roller Skating	50%

Other "maximum" user fee-supported programs include Special Events and Junior Athletics.

"Minimum" user fee-supported programs include Senior Activities, Youth Centers and Activities, Playground Activities and Co-sponsored Special Interest Activities.

Budget Policies & Practices



The Public Works Department examines these fee schedules annually and recommends changes as needed.

Planning fees: Fees should be set to recover 100% of the estimated cost of processing permits or providing services.

Building fees: As part of an annual fee resolution adoption process, the City will adopt the most current valuation data as published in Building Standards, and give consideration to adopting any new fee rate increases as published in the Uniform Administrative Code (UAC) [adopted by the City Council March 01].

The permit fee schedule is published in the UAC, which is updated every three years. As mandated, the City takes the permit fee schedule to the Board of Appeals for review, as they do when the codes themselves are presented for adoption. At this time, the Humboldt Builders Exchange and North Coast Homebuilders are noticed and asked to comment as a courtesy.

It is the intention of the City to establish and update the permit fee schedule when codes set forth by the UAC are adopted.

The City policy

DEBT ISSUANCE AND MANAGEMENT:

The following elements should act as a guide when considering the use of debt financing:

The City will consider the use of long-term debt financing only for one-time capital acquisitions and construction projects, and only under the following circumstances

- When the acquisition s or project s useful life will equal or exceed the term of the financing
- When the project revenues or specific resources will be sufficient to service the long-term debt
- When a public-private or public-public partnership is judged to be fiscally sound and the resources of the City are a small, but necessary, element of the project.

Debt financing will not be considered appropriate for:

- Current operating and maintenance expenses except for issuing short-term instruments such as revenue anticipation notes or tax anticipation note
- Any recurring purpose

The City currently follows this policy

Budget Policies & Practices



DEBT LEVEL AND CAPACITY

The City will not incur debt beyond the legal debt limitation within any one fiscal year. State law requires the City's legal debt limitation not to exceed 3.75 percent of the assessed value of all real and personal property within the city limits. Long-term debt which is secured by specific revenue sources, and where the general taxing authority of the City is specifically excluded as a funding source for the obligation; and short-term securities repaid with current revenues will not be subject to the legal debt limitation in compliance with State law.

The City currently follows this policy

USE OF ONE-TIME REVENUES

One-time revenues should not be used to balance budgets, and will be used for time-limited services, capital projects, equipment requirements, establishment of reserves, or services that can be terminated without significant disruption to the community or City organization. Before accepting one-time revenues such as grants for specific projects or programs, consideration and careful analysis should be given to the long-term implications of accepting the revenue. Funding for positions or projects should not be accepted if the City cannot afford to maintain the project or continue funding the positions after the one-time revenue is gone.

The City currently follows this policy

EVALUATE THE USE OF UNPREDICTABLE REVENUES

The City will evaluate the use of unpredictable revenues in the matching of current revenues to current expenditures. State subventions and reimbursements are examples of such unpredictable revenues.

The City currently follows this policy

BALANCING THE OPERATING BUDGET

The operating budget will be balanced with current revenues, which may include beginning Working Capitals less required reserves as established by the City Council.

The City policy

REVENUE DIVERSIFICATION

To the degree possible, the City will strive to maintain a diversified and stable revenue base to protect against short-term fluctuations in any one revenue source, and to ensure its ability to provide ongoing service.

The City has minimal control over many major revenue sources

Budget Policies & Practices



CONTINGENCY PLANNING

At appropriate intervals throughout the budget year, the City Council will review recommended reductions to annual appropriations should anticipated revenues not be received. This review process will be considered the City's Contingency Planning Process.

The City currently follows this policy

OVERHEAD COST ALLOCATION

Identifiable overhead costs shall be allocated to the appropriate program within the limits of state and federal law.

The City currently follows this policy

RETIREMENT

The budget will provide for the adequate funding of all retirement systems.

The City currently follows this policy

FUNDING FOR OUTSIDE ORGANIZATIONS

The following process will be used for the distribution of City funds (both cash and in kind contributions or services) to outside organizations:

All City fund distributions will be based on performance measures as delineated within each contract between the City and an outside organization. Performance measures are statements of specific direction, purpose, or intent based on the needs of the community and the goals established for a specific program. These performance measures will be clearly stated as objectives that are measurable in quantitative terms.

Accomplishment of the objectives stated within each contract with an outside organization will be measured through performance indicators. The performance indicators will be similar to those used for each program within the City's annual budget. Performance indicators are measures of output, efficiency or outcome, for each contract objective.

The City will contract with outside organizations to administer City or Redevelopment programs that are required or desired by the City and can be done more cost effectively by the contracted organization. The contract for service with an outside organization will be regularly updated maintaining current performance measures and performance indicators.

The City will conduct an annual review of current contracts with outside organizations receiving funds from the City during the City's annual budget preparation process (January through March). Requests for City or Redevelopment funds from additional outside organizations will be reviewed during this same time period.

The City currently follows this policy

Budget Policies & Practices



BUDGETS AND BUDGETARY BASIS

The City uses two fund types to account for its activities. Governmental funds (the General Fund, special revenue funds, debt service funds, capital projects and expendable trust funds), focus on measurement of current financial resources. Proprietary funds (enterprise, internal service, and pension trust funds), which are used to account for activities similar to private businesses, focus on the determination of net income. Under generally accepted accounting principles (GAAP), the modified accrual basis is followed by governmental funds, which means that revenue is recognized when measurable and available for paying the liabilities of the current period. Also, under GAAP, the full accrual basis of accounting is used by proprietary funds. This means that revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. All annual appropriations lapse at year end except amounts that have been encumbered.

Annual appropriated budgets are adopted for all funds of the City except agency funds. In general, the budget is prepared on a basis consistent with GAAP. However, the budget varies from GAAP basis in the following areas:

- Budgetary revenues include such items as repayments of loans receivable and other items which on a GAAP basis are considered as reclassifications of Working Capital between reserved Working Capital and unreserved Working Capital
- Non-GAAP (budgetary basis) expenditures include encumbrances (in the year of commitment to purchase), loans, debt principal payments, and capital outlay in the proprietary funds.
- Depreciation expense is not budgeted in the proprietary funds of the City.

The Comprehensive Annual Financial Report (CAFR), shows the status of the City's finances on a GAAP basis. It also contains budgetary basis financial statements, which include revenues and expenditures that are not presented in accordance with GAAP, as explained above. These budgetary statements show reconciliation to the GAAP basis financial statements.

All annual, operating appropriations lapse at fiscal year end (on a budgetary basis). Project-length financial plans are adopted for capital and other projects. Appropriations for these projects are included in the annual appropriated budgets for each of the applicable funds. Unspent project amounts are included in the annual budgets of subsequent years until project completion.

MID-YEAR BUDGET ADJUSTMENTS/AMENDMENTS

Legally adopted budgetary appropriations are enacted at the departmental level for current operating expenditures, with separate appropriations for capital and other projects, debt service, reserves, transfers and contingencies. Expenditures cannot legally exceed appropriations at these control levels. Amendments to the budget at the legal appropriation level must be approved by City Council. Amendments to the budget at less than the legal appropriation level may be made by management.

In general, ongoing budget changes should be dealt with during the annual budget process, while one-time budget changes may be considered by the City Council either during the annual budget process or at any meeting after the adoption of the budget.

Demographics & Statistics



Date of incorporation as a city:	February 19, 1874
Date Charter adopted:	February 8, 1895
Council-Manager form of government Adopted:	March 5, 1959
Area:	17.71 square miles
Population:	26,381
Miles of streets:	125
Miles of water line:	150
Miles of sewers:	100
Street lights:	1,918
Signals:	
City	25
State	26
Fire protection:	3 stations with 40.0 employees
Police protection:	1 station with 80.0 employees
Business licenses:	2,310
Parks - number of acres	242
Parks	13
Golf courses	1
Community recreation facilities	10
Tennis courts	6
Ballfields	4
Outdoor amphitheater	1
Zoo	1
Water utility:	
Customers	9,660
Average daily consumption	3,057,125 gallons
Transit (1)	
Customers	335,127
Revenue service miles	309,993

(1) Includes regular/specialty transit operations

Information from City of Eureka, 2005 Comprehensive Annual Financial Report

Demographics & Statistics



Demographics

The following tables provide additional demographic statistics for the City of Eureka and its citizenry from the 2000 U.S. Census.

Gender

Male	49.5%
Female	50.5%

Age Composition

Under 5 years	5.7%
5 to 9 years	6.2%
10 to 14 years	6.4%
15 to 19 years	7.3%
20 to 24 years	8.4%
25 to 34 years	13.8%
35 to 44 years	15.0%
45 to 54 years	15.2%
55 to 59 years	4.7%
60 to 64 years	3.6%
65 to 74 years	6.5%
75 to 84 years	5.1%
85 years and over	2.1%
Median age (years)	36.6

Occupation Composition

Mgmt, professional, and related	24.3%
Service	24.1%
Sales and office	28.0%
Farming, fishing, and forestry	1.7%
Construction, extraction, and maintenance	9.2%
Production, & transportation,	12.7%

Race/Ethnic Origin

White	82.5%
Black or African American	1.6%
American Indian and Alaska Native	4.2%
Asian	3.6%
Asian Indian	0.3%
Chinese	0.2%
Filipino	0.2%
Japanese	0.2%
Korean	0.2%
Vietnamese	0.1%
Other Asian 1	2.2%
Native Hawaiian and Other Pacific Islander	0.3%
Native Hawaiian	0.1%
Samoan	0.1%
Other Pacific Islander 2	0.2%

Education Attainment

Less than 9th grade	5.4%
9th to 12th grade,	12.9%
High school graduate	26%
Some college, no degree	29.4%
Associate degree	8.7%
Bachelor's degree	11.4%
Graduate or professional degree	5.5%

Household Income

Less than \$10,000	16.5%
\$10,000 to \$14,999	11.0%
\$15,000 to \$24,999	21.1%
\$25,000 to \$34,999	14.2%
\$35,000 to \$49,999	14.3%
\$50,000 to \$74,999	14.6%
\$75,000 to \$99,999	3.9%
\$100,000 to \$149,999	2.8%
\$150,000 to \$199,999	0.2%
\$200,000 or more	1.3%
Median household income	\$25,849

Population

1996	27,473
1997	27,506
1998	27,519
1999	27,562
2000	27,527
2001	26,250
2002	26,050
2003	26,100
2004	26,258
2005	26,381
2006*	27,052

* Projected

Demographics & Statistics



Employment by Industry

	<u>Employment</u>	<u>Percent</u>
Agriculture, forestry, fishing and hunting, and mining	399	3.7%
Construction	695	6.5%
Manufacturing	597	5.6%
Wholesale trade	363	3.4%
Retail trade	1,507	14.1%
Transportation and warehousing, and utilities	421	3.9%
Information	228	2.1%
Finance, insurance, real estate, and rental and leasing	688	6.4%
Professional, scientific, management, administrative, and waste management services	695	6.5%
Educational, health and social services	2,662	24.9%
Arts, entertainment, recreation, accommodation and food services . . .	1,179	11.0%
Other services (except public administration)	647	6.1%
Public administration	613	5.7%

Largest Employers in Eureka

<u>Company</u>	<u>Type of Business</u>	<u>Employees</u>
Target	Department Store	200
Schmidbaur Lumber	Wood Products	165
Costco Wholesale #125	Department Store	127
Times Standard	Newspaper	106
Gottschalk's	Department Store	105
Security National	Banking/Loans	102
Pierson Building Center	Lumber & Building Materials	100
Pacific Choice Seafood's	Fish & Seafood's	90
Winco Foods	Grocery Store	87
K-Mart	Department Store	80

Source: City of Eureka

Principal Property Taxpayer 2004

<u>Company</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
St. Joseph Hospital	Hospital	\$76,518,766	4.41%
Bayshore Mall	Shopping Mall	49,172,717	2.83%
Target Corporation CR	Durable Goods	14,413,911	0.83%
The Price Company	Durable Goods	11,995,259	0.69%
Salvation Army	Housing	8,895,920	0.51%
L & H Properties LLC	Developer	8,547,729	0.49%
Ocean View Cemetery	Cemetery	8,194,421	0.47%
Humboldt Partners PT	Bank	8,105,974	0.47%
Commercial Realty, Inc.	Developer	7,900,000	0.45%
Schmidbauer Lumber Inc.	Wood Products	7,621,066	0.44%

Source: Humboldt County Assessor's Office

Demographics & Statistics



Eureka Per Capita General Revenue Information

Eureka has a per capita general revenue of \$561.76, ranking 4th out of 10 cities in Humboldt, Del Norte and Northern Mendocino counties; June 30, 2002.

Rank	CITY	COUNTY	POPULATION	GENERAL REVENUE	PER CAPITA
1	Fort Bragg	Mendocino	7,099	4,347,129	612.36
2	Trinidad	Humboldt	315	189,360	601.14
3	Ukiah	Mendocino	15,677	9,042,638	576.81
4	Eureka	Humboldt	26,054	14,636,219	561.76
5	Willits	Mendocino	5,097	2,274,040	446.15
6	Blue Lake	Humboldt	1,163	386,179	332.05
7	Crescent City	Del Norte	7,289	2,331,737	319.90
8	Ferndale	Humboldt	1,435	425,342	296.41
9	Arcata	Humboldt	16,893	4,788,399	283.45
10	Fortuna	Humboldt	10,742	2,506,499	233.34

Source: 2001-02 State Controllers Report

Revenue & Expenditures - Comparison of Cities as of June 30, 2002

	Eureka		Arcata		Fortuna	
	City Total	\$ Per Capita	City Total	\$ Per Capita	City Total	\$ Per Capita
Population	26,054		16,893		10,742	
Net Assessed Values	\$1,290,094,379	\$49,516	\$712,989,983	\$42,206	\$485,270,366	\$45,175
CITY REVENUES						
Taxes	12,563,392	\$482	3,973,761	\$235	\$2,182,365	\$203
Assessments					32,853	
Licenses & Permits	316,859	12	157,976	9	149,670	14
Fines & Forfeitures	214,295	8	253,994	15	34,334	3
Use of Money & Property	2,221,249	85	516,023	31	1,412,115	131
Intergovernmental	5,355,914	206	4,008,275	237	1,119,685	104
Current Service Charges	9,786,680	376	6,667,844	395	3,399,126	316
Other Revenues	4,666,541	179	965,027	57	(325,639)	(30)
TOTAL REVENUES	\$35,124,930	\$1,348	\$16,542,900	\$979	\$8,004,509	\$745
CITY EXPENDITURES						
General Government	3,443,497	\$132	1,271,237	\$75	\$391,406	\$36
Public Safety	9,885,231	379	3,192,739	189	1,477,803	138
Transportation	5,976,549	229	2,579,762	153	666,850	62
Community Development	3,130,520	120	1,580,773	94	593,946	55
Health	5,141,586	197	4,583,161	271	1,560,411	145
Culture & Leisure	1,739,183	67	2,086,131	123	704,329	66
Public Utilities	3,740,024	144	1,915,100	113	1,375,064	128
Other	46,030	2				
TOTAL EXPENDITURES	\$33,102,620	\$1,271	\$17,208,903	\$1,019	\$6,769,809	\$630

Source: 2001-02 State Controllers Report

Employee Compensation and Benefits



The City of Eureka's employees are represented in the following bargaining units:

Unit A:	Eureka Police Officers Association
Unit B:	Eureka Firefighters Local 652
Unit C:	Eureka City Employees Association
Unit D:	Unrepresented Group (Management, Mid-Management, Confidential)

Units will receive the following salary increases in FY 2006/2007:

Unit A:	3% COLA effective January 1, 2007
Unit B:	3% COLA effective January 1, 2007
Unit C:	3% COLA effective January 1, 2007
Unit D:	3% COLA effective January 1, 2007

City employees choose from a number of benefit plans (dental, health, vision, life insurance, long-term disability, 125 Plan medical and/or dependent care) available to them through the City using the monthly fringe benefit contribution from the City. The fringe benefit ranges between \$300 and \$1,115 for Unit A, \$300 and \$963 for Unit B, \$114 and \$720 for Unit C, and \$272 and \$922 for Unit D. Employees contribute additional amounts to cover costs of these benefits.

The City participates in California Public Employee Retirement System (PERS) "2.7% at 55" Local Miscellaneous Members Retirement Program and "3% at 50" Local Safety Members Retirement Program. Employees can also participate in two Deferred Compensation retirement programs.

Employees receive 12 sick leave days, and between 12 and 22 vacation days each year (depending on length of service). Members of Unit A receive 11 1/2 paid holidays and one personal holiday. Members of Unit B receive 10 1/2 paid holidays and two personal holidays. Members of Units C and D receive 10 paid holidays and 3 personal holidays. Some members of Unit D (Management and Mid-Management) also receive 6 days (Mid-Management) or 9 days (Management) executive leave each fiscal year.

Miscellaneous City employees work a "5/40" schedule; Police employees work either a "5/40" or "4/10" schedule; and Fire employees work a 2928 hour/year schedule.

Members of Unit B receive an additional 2.7% of base annual salary under the Fair Labor Standard Labor Act (FLSA) to compensate for overtime worked during the required schedule. Some members of Unit B receive an additional 3% of base annual salary for participating in the Hazardous Material Response Team.

Members of Units A and B receive a \$550 and \$556 annual uniform allowance, respectively. Some members of Unit C receive a \$100 annual boot allowance; \$500 annual tool allowance.

Members of Unit A who have earned California Police Officer Standards and Training (POST) certificates receive an additional 7% of base annual salary for an Intermediate Certificate or 14% for an Advanced Certificate. Special Duty Officers receive an additional 5% of base annual salary; Senior Investigators receive an additional 7 1/2% of base annual salary.

Appropriations Limit FY 2006/07



Article XIII B of the California Constitution, adopted by Proposition 4 in 1980, and amended in 1990 by Proposition 111, imposes restrictions on the amount of revenues that can be received and appropriated in a fiscal year. Only revenues defined to as "proceeds of taxes" are restricted by the limit. Generally, revenues restricted as to use, enterprise fund revenues, redevelopment agency revenues, and charges for services not exceeding the cost of providing the service are not considered proceeds of taxes. Also, certain expenditures are considered exempt from the limit. During any fiscal year, a city may not appropriate any proceeds of taxes they receive in excess of their Limit.

The appropriations limit is based on actual appropriations during the base year of 1978-79, and is adjusted each year using the growth in population and inflation. The limit, cost of living factor, and population change factor must be adopted each year by resolution of the City Council.

FISCAL YEAR 2006-07 CITY OF EUREKA APPROPRIATIONS LIMIT CALCULATIONS

A. LAST YEAR'S LIMIT	\$82,640,992
B. ADJUSTMENT FACTORS	
1. Population % (County population growth)	.91%
2. Inflation % (Change in Non-Residential Valuation due to new construction)	9.25%
Total Adjustment $((1+B1) \times (1+B2)) - 1$	10.25%
C. ANNUAL ADJUSTMENTS:	\$8,467,065
D. OTHER ADJUSTMENTS:	
Sub-total	
E. TOTAL ADJUSTMENTS:	\$8,467,065
F. THIS YEAR'S LIMIT	\$91,108,057

APPROPRIATIONS SUBJECT TO LIMIT AND AMOUNT UNDER LEGAL LIMIT

A. PROCEEDS OF TAXES	\$14,177,700
B. EXCLUSIONS	0
C. APPROPRIATIONS SUBJECT TO LIMITATION	\$14,177,700
D. CURRENT YEAR LIMIT	\$91,108,057
E. UNDER LIMIT	\$76,930,357

Appropriations Limit FY 2006/07



Reviewing the City's appropriation limit calculations over the past six years indicates the City should remain well within its legal limit for many years to come. During the six year period between fiscal years 2000-01 to 2006-07 the calculated appropriation limit has increased by 129% from \$39,779,108 to \$91,108,057. During this same time period appropriations subject to this limitation have increased only 13% from \$12,527,086 to \$14,177,700. During this same six year period the inflation rate or change in California per capita personal income has declined from 4.91% in 2000-01 up to 9.25% for 2006-07. The Humboldt County population growth has fluctuated from 1.16% in 2000-01 down to .91% for the 2006-07 calculations.

Unless inflation rates decrease dramatically over the next few years, the City of Eureka's adopted appropriations should remain well below the appropriation limit as prescribed in Article XIII B of the California Constitution and adopted by Proposition 4 in 1980.



Bonds Payable

Bonds payable as of June 30, 2006 are comprised of the following revenue bond issues:

2003 Tax Allocation Revenue Refunding Bonds, issued by Eureka Public Financing Authority (Authority), in the amount of \$15,250,000. Of the total bonds issued, \$13,140,000 were to refund the Authority's outstanding 1993 Tax Allocation Revenue Bonds, refinance a loan agreement between Six Rivers National Bank and the Eureka Redevelopment Agency (Agency), and to refinance a loan between the City of Eureka and the Agency. A portion of the proceeds was used to fund reserve accounts established under loan agreements between the Authority and the Agency and to pay the costs of issuing the bonds. The bond issue consisted of the following: \$15,250,000 serial bonds carrying interest rates of 4.00% to 4.80% and maturing in annual increments of \$1,000,000 to \$1,600,000 with maturity dates of November 1 each year from 2012 through 2023.

These bonds are secured by a first lien on and pledge of all the amounts payable by the Agency and the Authority pursuant to loan agreements between the Agency and the Authority, and other revenues specified in the indenture. Each loan agreement is secured by a first pledge of and lien on the incremental tax revenues received by the Agency from redevelopment project areas. Each loan is additionally secured by a first and exclusive pledge of and lien upon all of the money held in the Reserve Account established with respect to the related loan. These bonds are payable solely from the revenues discussed in this paragraph and are not secured by the general taxing power of the City of Eureka.

\$14,571,657

1973 Municipal Harbor Improvement Bonds due in annual installments of \$35,000 to \$105,000 through July 1, 2014; interest at 6.75%. Used to build a fish plant and dock facilities in Humboldt Bay. These bonds are payable exclusively from the revenues of an enterprise comprising the City's municipal harbor, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka.

648,362

Total revenue bonds

\$ 15,220,019

Long-Term Purchase Agreements Payable

Long-term purchase agreements payable as of June 30, 2006 are comprised of the following revenue bond issues:

On April 18, 2000, June 25, 2002, and May 20, 2003 the City, along with other California cities, entered into installment purchase agreements with the California Statewide Communities Development Authority (CSCDA), a joint exercise of powers agency which issued bonds to finance and refinance certain public capital improvements of the program participants and to pay the costs incurred in issuing the bonds.

CSCDA Water and Wastewater Revenue Bonds (Pooled Financing Program), Series 2000A principal amount of \$7,995,000, due in annual installments of \$190,000 to \$590,000 through April 1, 2026; interest at 4.40% to 5.75%. Used to finance various Water Utility projects. These bonds are payable exclusively from the revenues of the City's Water Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The first principal payment was made December 2003.

6,983,240

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2002B principal amount of \$3,625,000, due in annual installments of \$131,938 to \$254,286 through April 1, 2028; interest at 4.00% to 5.25%. Used to finance various Water Utility projects. These bonds are payable exclusively from the revenues of the City's Water Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The first principal payment was made October 2003.

3,201,507

CSCDA Wastewater Revenue Bonds (Pooled Financing Program), Series 2003A principal amount of \$4,040,000 due in annual installments of \$233,339 to \$264,989 through April 1, 2029; interest at 2.00% to 5.25%. Used to finance various Wastewater Utility projects. These bonds are payable exclusively from the revenues of the City's Wastewater Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. Payments include interest and principal, the first payment was made October 2003.

3,572,861

CSCDA Water Revenue Bonds (Pooled Financing Program), Series 2006A principal amount of \$1,570,000, due in annual installments of \$118,125 to \$123,919 through October 1, 2031; interest at 3.25% to 4.60%. Used to finance various Water Utility projects. These bonds are payable exclusively from the revenues of the City's Water Utility, and are secured by a lien and pledge of such revenues. The bonds are not secured by the taxing power of the City of Eureka. The first principal payment was made October 2006.

1,755,966

Total long-term purchase agreements payable

\$13,757,608

Intergovernmental loans payable are comprised of the following:

On September 26, 1996, the City and Redevelopment Agency jointly entered into a loan and operation contract with the California Department of Boating and Waterways for the purpose of repairing and refurbishing the Eureka Boat Basin. The loan of \$2,750,000 is payable at 4.5% interest, over 30 years.

\$2,352,022



Long-term Debt Summary

The annual requirements to amortize outstanding bonded and purchase agreement indebtedness as of June 30, 2005, are as follows:

Fiscal Year Ending June 30	California Department of Boating	CSCDA Bonds	Harbor Bonds	2003 EPFA Bonds	Total
2007	174,282	1,263,544	117,250	678,343	2,233,419
2008	174,282	1,255,455	117,525	678,343	2,225,605
2009	174,282	1,260,483	117,462	678,343	2,230,570
2010	174,282	1,254,073	117,063	678,343	2,223,761
2011-2015	871,410	6,266,515	457,500	6,332,615	13,928,040
2016-2020	871,410	6,227,892		8,259,304	15,358,606
2021-2025	871,410	6,216,173	-	6,570,844	13,658,427
2026-2031	697,128	3,100,263	-	-	3,797,391
Total requirements	4,008,486	26,844,396	926,800	23,876,135	55,655,817
Less discount					
Less interest	(1,656,464)	(11,330,822)	(278,438)	(9,304,478)	(22,570,202)
Total long-term debt payable June 30, 2006	<u>\$ 2,352,022</u>	<u>\$ 15,513,574</u>	<u>\$ 648,362</u>	<u>\$ 14,571,657</u>	<u>\$ 33,085,615</u>

Legal Debt Margin

The City has a legal debt limitation not to exceed 3.75% of the assessed value of all real and personal property within the city limits. This applies to bonds, notes or any other type of general obligation debt. The following types of obligations are not considered in determining the debt limitation: Any long-term debt which is secured by specific revenue sources, and where the general taxing authority of the City is specifically excluded as a funding source for the obligation; and short-term securities repaid with current revenues.

The legal debt margin for the City as of June 30, 2005 (the most recent calculation date) is shown below:

Total assessed value of all real and personal property	\$ 1,736,748,821
Debt limit percentage	3.75%
Total debt limit	65,128,081
Amount of debt applicable to debt limit	-
Legal debt margin	<u>\$ 65,128,081</u>

Capital Leases

During fiscal year 2001-02, the City entered into a lease purchase agreement. The lease purchase agreement was for new financial software, this lease expires during fiscal year 2008-09. During fiscal year 2005-06, the City entered into several lease purchase agreements. One lease purchase agreement was for a new fire truck, the lease included the refinancing of the 2001-02 lease purchase agreement for an aerial fire truck, the lease expires during fiscal year 2013-2014. Another lease purchase agreement was for Remodel of City Hall, this lease expires during fiscal year 2015-16. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. As of June 30, 2006, the City has total remaining payments of \$1,933,151.

Donations



During fiscal year 1998-99, the City established a separate fund to account for donations. Under Resolution 98-36, funds from outside donations for specific purposes shall not be subject to appropriations by the City Council. Revenues of this fund consist of donations from individuals and organizations. Some of the programs funded by these contributions include the Eureka Police Volunteer, K-9, and Fire activities, as well as parks and recreation expenditures.

Following is a summary of the funds expected to be received during fiscal year 2005-06, and estimated funds for fiscal year 2006-07:

Donations by Program	<u>2005-06</u>	<u>2006-07</u>
Police:		
K-9 program	\$0	
Volunteer Patrol program	2,800	2,000
Crime Prevention	140	
Public Safety	900	
Fire:		
Thermal camera	1,000	
Miscellaneous		
Parks:		
Sequoia Park Garden	300	
Sequoia Park Zoo	53,300	1,000
Other Donations:		
Mayor's Coast Guard Ball		
Fireworks		
150th Birthday of Eureka	14,500	0

Glossary Of Terms



Activities

Specific services performed in accomplishing program objectives and goals (See Program).

ADA

Americans with Disabilities Act is federal legislation governing the abilities of all citizens to have equal access to all city buildings and materials.

Appropriation

An authorization made by the Council which permits the City to incur obligations and to make expenditures of resources.

Appropriation Limitation

Imposed by Propositions 4 and 111, creates a restriction on the amount of revenue which can be appropriated in any fiscal year. The Limit is based on actual appropriations during the 1978-79 fiscal year, and is increased each year using the growth of population and inflation. Not all revenues are restricted by the limit; only those which are referred to as "proceeds of taxes." Some examples of proceeds of taxes are sales tax, property tax, and business license tax.

Assessed Valuation

A value established for real property for use as a basis in levying property taxes. For all agencies in the State of California, assessed value is established by the County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under Article XIII of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. Proposition 13 also modified the value of real taxable property for fiscal 1979 by rolling back values to fiscal 1976 levels. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal. Property taxes for general purposes cannot exceed 1% of assessed value.

Audit

Prepared by an independent certified public accountant (CPA), the primary objective of an audit is to determine if the City's financial statements present fairly the City's financial position and results of operations in conformity with generally accepted accounting principles. In conjunction with their performance of an audit, it is customary for an independent auditor to issue a Management Letter stating the adequacy of the City's internal controls as well as recommending improvements to the City's financial management practices.

BASIS OF ACCOUNTING

Accrual Accounting

Use of accrual basis of accounting is considered appropriate for proprietary funds, nonexpendable trust funds, and pension trust funds of governmental units. Accrual accounting means that revenues should be recorded in the period in which the service is given, although payment is received in a prior or subsequent period; and that expenses should be recorded in the period in which the benefit is received, although payment is made in a prior or subsequent period.

Examples of funds using the accrual basis of accounting are the Water, Wastewater, and Humboldt Bay Funds.

Modified Accrual Accounting

Funds such as general funds, special revenue funds, capital project funds, debt service funds, special assessment funds and expendable trust funds use the modified accrual accounting basis because they are not concerned with income determination. Under the modified accrual basis, revenues should be recognized in the accounting period in

Glossary Of Terms



which they become available and measurable. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and on special assessment indebtedness secured by interest-bearing special assessment levies, which should be recognized when due.

Examples of funds using the modified accrual basis of accounting are the General Fund, Gas Tax Fund, and Capital Improvements Fund.

Bonds

A form of borrowing (debt financing) which reflects a written promise from the City to repay a sum of money on a specific date at a specified interest rate. Bonds are used to finance large capital projects such as buildings, streets, utility infrastructure, and bridges.

Budget

A financial plan for a specified period of time that matches planned revenues and expenditures to municipal services, goals and objectives. The City of Eureka uses a financial plan covering a fiscal year, with actual budget appropriations made annually.

Budget Amendment

The City Council has the sole responsibility for adopting the City's budget, and may amend or supplement the budget at any time after adoption by majority vote. The City Manager has the authority to approve administrative adjustments to the budget as long as those changes are between objects within the same expenditure category.

Budget Calendar

The schedule of budget preparations, hearings and adoption of the annual budget.

Budget Policies

General and specific guidelines that govern financial plan preparation and administration.

CAFR

The Comprehensive Annual Financial Report encompasses the City's annual financial reports for all funds, a comparative analysis of prior year and current year financial transactions, notes to support financial transactions and financial statistics covering the past ten years.

Capital Improvement Plan (CIP)

A five-year plan providing for the maintenance or replacement of existing public facilities and assets and for building or acquiring new ones.

Capital Lease

The periodic payment for assets acquired with a lease financing instrument.

Capital Outlay

The costs of acquiring land or purchasing "fixed assets," i.e., building improvements, buildings, improvements other than building, machinery and equipment (in general, items to be purchased are those with a cost of \$5,000 or more, having a useful life of greater than one year, with a few exceptions).

Certificates of Participation

Form of lease-purchase financing used to construct or acquire capital facilities and equipment.

CDBG

Community Development Block Grants are funded by the Federal Government and their purpose is to provide funds for very low and moderate income families to eliminate substandard and deteriorated housing.

Glossary Of Terms



Contingency

A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Contractual Services

Services rendered to a government by private firms, individuals, or other governmental agencies. Examples include utilities, maintenance agreements, and professional consulting services.

Cost Allocation

Costs which are charged to a department in the City for services of a generalized nature provided by another fund or department through a cost allocation procedure. Examples included as part of the allocation are the cost of the City Manager's Office, the City Attorney's Office, and the Finance Department. Departments which receive services from these departments are charged based on a standard formula.

CSMFO

California Society of Municipal Finance Officers. A state-wide organization whose purpose is to provide educational opportunities and interaction amongst municipal finance officers. It provides an opportunity for recognition in the achievement of excellence in operational budgeting.

Debt Financing

Borrowing funds as needed and pledging future revenues to make current expenditures. The City of Eureka uses debt financing only for one-time capital improvements whose life will exceed the term of financing and where expected revenues are sufficient to cover the long-term debt.

Debt Instrument

Methods of borrowing funds, including general obligation bonds, revenue bonds, lease/purchase agreements, lease-revenue bonds, tax allocation bonds, certificates of participation, and assessment district bonds.

Debt Service

Payments of principal and interest on bonds and other debt instruments according to a pre-determined schedule.

Deficit

The excess of an entity's liabilities over its assets or the excess of expenditures or expenses over revenues during a single accounting period.

Department

A major organizational unit of the City which has been assigned overall management responsibility for an operation or a group of related operations within a functional area.

Depreciation

Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of physical elements, inadequacy or obsolescence.

Distinguished Budget Presentation Awards Program

A voluntary awards program administered by the Governmental Finance Officers Association on a federal level and by the California Society of Municipal Finance Officers Association on a state-wide basis to encourage governments to prepare effective budget documents.

ECEA

The Eureka City Employees Association is an employee organization representing those employees who are not management, fire or police.

Glossary Of Terms



EFL

Employee organization representing fire employees and who bargains with the City for employee salaries and benefits.

EFT

Electronic Funds Transfer is a term used by the banking industry to signify a transaction that occurs through electronic means rather than a physical transfer of funds.

Employee Benefits

Costs of benefits for City employees, including Unemployment Insurance, Workers' Compensation Insurance, Health Insurance, Dental Insurance, Vision Insurance, Retirement, and Life Insurance.

EOC

Emergency Operations Center is a location where emergency managers can assemble, coordinate their actions, and facilitate efficient communication during a local emergency.

EPA

Environmental Protection Agency. A federal agency that has oversight for environmental issues and that provides grant funds to facilitate environmental endeavors by the City.

EPFA

Eureka Public Financing Authority was established as a separate entity whose purpose is to borrow money to provide funding for Redevelopment Agency projects.

EPOA

Employee organization representing police employees and who bargains with the City for employee salaries and benefits.

ERA

The Eureka Redevelopment Agency was established under state law to undertake projects that will revitalize the project areas and improve the economic base of the community.

ERAF

Education Revenue Augmentation Fund. The California State Legislature enacted the ERAF in 1991 to permanently redirect property taxes from counties, cities, and special districts to public school entities within each county. This is a state level of funding for the Education system within the State of California. Revenues have been "shifted" from local governments to fund this educational fund from both the City and Redevelopment Agency.

Expenditure

The outflow of funds paid or to be paid for an asset obtained or goods and services obtained regardless of when the expense is actually paid. This term applies to all funds. Note: An encumbrance is not an expenditure; an encumbrance reserves funds to be expended.

Expenditure Savings

Under the City's budgeting procedures, personnel cost projections are based on all positions being filled throughout the year. Cost projections for major supply purchases and service contracts are projected on a similar basis. However, past experience indicates that expenditures are consistently less than budgeted amounts, due at least in part to this costing methodology. Accordingly, the expenditure savings category is used to account for this factor in preparing Working Capital projections.

FEMA

Federal Emergency Management Agency. A federal agency that provides grants for fire related equipment and also training for fire personnel.

Glossary Of Terms



FPPC

The "Fair Political Practice Commission" is the State agency that oversees the Political Reform Act (PRA).

Fixed Assets

Assets of long-term nature such as land, buildings, machinery, furniture, and other equipment. The City has defined such assets as those with an expected life in excess of one year and an acquisition cost in excess of \$5,000.

FTE

A employee unit of measurement for one "full time employee". When employee positions are allocated within the budget, these allocations are measured in terms of full time employees. Two employees working half-time would be added together and listed as one FTE.

Fund

An accounting entity that records all financial transactions for specific activities or government functions. The six generic fund types used by the City are: General Fund, Special Revenue, Debt Service, Capital Project, Enterprise, and Trust & Agency Funds.

Fund Balance (Working Capital replaces the term Fund Balance)

Also known as financial position, Working Capital for the governmental fund types is the excess of fund assets over liabilities, and represents the cumulative effect of revenues and other financing sources over expenditures and other financing uses. For the enterprise funds, this term is used interchangeably with "working capital", a comparable (although not exact) financial position concept as Working Capital (see Working Capital).

FUND TYPES

The City uses funds to organize and operate its accounting system. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are further classified into several types, depending on the purpose and funding source, as explained below.

General Fund (Fund 110)

This fund is used for all financial transactions/resources that are not accounted for in other funds. Most City departments, except those classified as Enterprise Funds, Grants, Housing and Redevelopment, receive their funds from the General Fund.

Special Revenue Funds (Funds 205, 207, 221, 222, 223, 224, 225, 226, 227, 230, 231, 232, 233, 234, 236, 237, 238, 241, 242, 260, 265, 273, 275, 276, 277, 285, 290, and 291)

These funds account for proceeds of revenues designated for financing specified activities of the City. Special Revenue funds are also used when there is some compelling reason for segregating a revenue source from the General Fund.

Debt Service Funds (Funds 320, 321, 330, 335, and 340)

These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the Agency and the Authority. Revenues for this purposed include property tax increment and related interest.

Capital Projects Funds (Funds 410, 420, and 430)

These funds account for capital improvements of the Redevelopment Agency which are financed by proceeds of tax allocation bonds and City advances. The Agency has three capital projects funds, one for each project area of the Agency. The project areas are: Century III Phase I; Century III Phase II; and Eureka Tomorrow.

Enterprise Funds (Funds 500, 501, 510, 520, 530, 540, and 550)

These funds account for activities which are intended to be self-supporting or where periodic

Glossary Of Terms



determination of net income is appropriate for management control and accountability. Costs are financed primarily through user charges.

Internal Service Funds (Funds 610, 625, 630, and 690)

These funds account for activities and services provided by one City organizational unit to another, financed through cost-reimbursement.

Trust & Agency Funds (Fund 700)

Also known as Fiduciary Fund Types, these funds are used to account for assets held by the City in a trustee capacity or as an agent for private individuals, organizations, or other governmental agencies. The fiduciary funds used by the City include expendable trust and agency funds. Expendable trust funds are accounted for in the same manner as Governmental Funds (general, special revenues, debt service, and capital project funds). Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations.

FY

The "Fiscal Year" is the beginning and ending period for recording financial transactions. The City has specified July 1 to June 30 as its fiscal year.

GAAP

Generally Acceptable Accounting Principals. Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles.

GASB

Governmental Accounting Standards Board sets all requirements for governmental agency reporting and accounting methodologies.

GFOA

Government Finance Officers Association of the United States and Canada. A national organization whose purpose is to provide accounting guidance and educational opportunities to governmental finance officers. This organization sets the standards for budget documents that must meet program criteria as a policy document, operations guide, a financial plan and a communication device.

Goal

Is a broad statement of purpose for particular program within the agency.

HOME Program

A HOME grant or "Home Partnership Investment Program" provides grant funds for an Owner Occupied Housing First Time Homebuyer program.

Inter-fund Transfers

The movement of monies between funds of the same governmental entity.

Investment Revenue

Revenue received as interest from the investment of funds not immediately required to meet cash disbursement obligations.

LAFCO

Local Area Formation Commission is a regional agency that oversees land use within the Humboldt County area.

Glossary Of Terms



Line Item Budget

A budget that lists detailed expenditure categories (salary, materials, telephone service, travel, etc.) separately, along with the amount budgeted for each specified category. The City uses a line-item detail to maintain and record for financial reporting and control purposes. This line item budget has been developed into a Program Budget format that presents each department's operations under a broader program of service (Public Works, Community Services, etc.)

Materials and Supplies

Expendable materials and operating supplies necessary to conduct departmental operations.

Mission

Is an ideal statement of what the organization hopes to achieve.

MOU

Memorandum of Understanding is an agreement between employees and administration covering salaries, benefits and rights of employees.

NOP

Neighborhood Oriented Policing is a program utilized by the Eureka Police Department to assign personnel to areas within the community.

NPDES

The National Pollution Distribution Elimination System sets the standards for storm water runoff.

Object of Expenditure

An expenditure classification, referring to the lowest and most detailed level of classification, such as electricity, office supplies, and contract services.

Objective

Is a measurable accomplishment to be achieved within a specific period of time.

OES

Office of Emergency Services is a state-wide emergency services organizational structure. There are six mutual aid regions within California.

Operating Budget

The portion of the budget that pertains to daily operations providing basic governmental services. The program budgets in the financial plan form the operating budget.

Operations

A grouping of related programs within a functional area (See Function and Program).

Performance Measures (Objectives)

A statement of specific direction, purpose, or intent based on the needs of the community and the goals established for a specific program. Performance measures are clearly stated objectives that are measurable in quantitative terms.

PERS

The Public Employee Retirement System is a statewide retirement system in which all full time and regular part time employees participate as one of their employee benefits. Alternately referred to as CalPERS to designate the retirement system within the State of California.

PLC

A Programmable Logic Controller is a type of computer that is used to control the water treatment process.

POST

Glossary Of Terms



"Peace Officers Standards and Training" is a requirement or standard that all police officers within California must meet.

Program

A grouping of activities organized to accomplish basic goals and objectives.

PSAPS

Public Safety Answering Point System is a county-wide computerized connection process with law agencies within the County. The Eureka Police Department maintains this networking system.

Reserve

An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose or designated by Council and is, therefore, not available for general appropriation.

Reserve Draw Down

Refers to the amount of Working Capital required as a revenue funding source to balance fund budgets where appropriations exceed current revenues. If current revenues exceed appropriations, the Working Capital will increase and be referred to a reserve improvement.

Revenue Bonds

Bonds sold to construct a project that will produce revenues pledged for the payment of related principal and interest (See Bonds).

Resolution

A special or temporary order of a legislative body: an order of a legislative body requiring less legal formality than an ordinance or statute.

Resources (sources)

Total amounts available for appropriation including estimated revenues, fund transfers, and beginning balances.

RFP

Request for Proposals is a method of inviting proposals from qualified vendors of a specific commodity or service.

RPT

Regular part time employees who are employed by the City less than 40 hours per week but whose position is allocated as a permanent position within the annual budget process.

Salaries

Costs of salaries of City employees, including full-time and part-time/temporary employees, overtime and miscellaneous categories apply.

SCADA

The Supervisory Control and Data Acquisition is a software package that is installed in a PLC to gather necessary data on the water treatment process.

Services and Supplies

The costs of services or supplies purchased by the City. Examples of such services and supplies include consultants, architectural, engineering, legal services, contractual services for construction/maintenance of public facilities, removal and repair of equipment, purchase of gasoline and diesel fuel, payment of gas and electrical bills, payment for water purchased from Humboldt Bay Municipal Water District, office supplies, chemicals and other operating supplies, cost of liability and fire insurance and principal and interest payments on outstanding City debt.

Glossary Of Terms



Significant Accomplishments

Outlines the changes and accomplishments that occurred over the past fiscal year. Significant changes would be changes that effect the structural nature of a department or program that may or may not impact the way services are rendered. Accomplishments review how performance objectives were met.

STAF

State Transit Assistance Funds are disbursed locally by the Humboldt County Association of Governments for local transit needs.

Subventions

Revenues collected by the State (or other level of government), which are allocated to the City on a formula basis. The major subventions received by the City from the State of California include motor vehicle in-lieu and gasoline taxes.

Tax Allocation Bonds

Bonds sold to fund capital projects, whereby principal and interest payments are secured by tax revenues.

Units of Measure

A set of reasonable, realistic standards of precise units of measures whereby performance data can be compared. The resulting information is the feedback for management, the City Council, and citizens concerning the relative success and efficiency of the various city programs.

Unencumbered Working Capital

The portion of a fund's balance that is not restricted for a specific purpose and is available for general appropriation.

USDA

United States Department of Agriculture rules and regulations are guidelines by which our City zoo is operated.

USDI

United States Department of the Interior rules and regulations are guidelines by which our City zoo is operated.

Working Capital

Also known as financial position in private sector accounting and in enterprise fund accounting in the public sector, working capital is the excess of current assets over current liabilities. For the enterprise funds, this term is used interchangeably with "Working Capital", a comparable (although not exact) financial position concept in the governmental fund types (see Working Capital).

Estimated Overruns - FY 2005-06



GENERAL FUND:

Legislative	City Council	23,915
Legislative	Mayor	5,000
Police	Public safety	104,629
Public Works	Stormwater	6,000
Public Works	Youth Program	27,000
Community Development	Administration	24,000
Community Development	Current Planning/Permitting	2,000
Community Development	Long Range Planning	1,000
Total-General Fund		\$193,544

OTHER FUNDS:

CDBG General Allocation	Housing	15,000
Water	Water treatment	1,000
Transit	Transit	17,000
Harbor	Harbor maintenance	30,000
Building	Building regulation	3,000
Equipment Operations	Fuel cost	24,000
Finance	Information Technology Operations	16,000
Redevelopment	Redevelopment	60,000
Total-Other Funds		\$166,000

Resolutions



RESOLUTION NO. 2006 - 36

RESOLUTION OF THE COUNCIL OF THE CITY OF EUREKA
AMENDING THE FISCAL YEAR 2005-06 BUDGET

WHEREAS, the City may have unappropriated revenues and Working Capitals as of June 30, 2006; and

WHEREAS, the City Council wishes to appropriate these revenues and Working Capitals for future use, or as specified in Exhibit A.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Eureka that the budget for the fiscal year 2005-06 is hereby amended to appropriate all year-end unappropriated revenues and Working Capitals subject to Article XIII B of the California Constitution into a Reserve for Working Capital.

Passed, approved, and adopted by the Council of the City of Eureka, County of Humboldt, State of California, on the 20th day of June, 2006, by the following vote:


AYES: COUNCILMEMBERS WOLFORD, BASS-JACKSON, LEONARD, KERRIGAN, JONES
NOES: COUNCILMEMBERS NONE
ABSENT: COUNCILMEMBERS NONE


PETER LA VALLEE, Mayor

ATTEST:


KATHLEEN L. FRANCO SIMMONS, City Clerk

APPROVED AS TO ADMINISTRATION:


DAVID W. TYSON, City Manager

APPROVED AS TO FORM:


DAVID TRANBERG, City Attorney

Resolutions



Passed, approved, and adopted by the Council of the City of Eureka, County of Humboldt, State of California, on the 20th day of June, 2006, by the following vote:

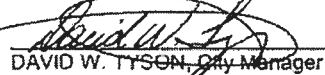
AYES:	COUNCILMEMBERS	WOLFORD, BASS-JACKSON, LEONARD, KERRIGAN, JONES
NOES:	COUNCILMEMBERS	NONE
ABSENT:	COUNCILMEMBERS	NONE


PETER LA VALLEE, Mayor

ATTEST:


KATHLEEN L. FRANCO SIMMONS, City Clerk

APPROVED AS TO ADMINISTRATION:


DAVID W. TYSON, City Manager

APPROVED AS TO FORM:


DAVID TRANBERG, City Attorney



RESOLUTION NO. 2006 - 38

RESOLUTION OF THE COUNCIL OF THE CITY OF EUREKA APPROVING THE AMENDED 2005-06 BUDGET AND APPROPRIATING FUNDS FOR THE 2006-07 FISCAL YEAR

WHEREAS, the Budget for the Fiscal Year beginning July 1, 2006, as submitted by the City Manager, has been reviewed by the City Council and public hearing has been held thereon pursuant to Section 704 of the City Charter, and the same has been revised by the Council;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Eureka as follows:

SECTION 1. That the City of Eureka Fiscal Year 2005-06 Budget as revised and amended, be, and the same is hereby adopted, and funds for Fiscal Year Budget beginning July 1, 2006 are appropriated. The City Manager is directed to republish the same as on file in the City Clerk's office.

SECTION 2. The appropriation set forth in said budget shall be the maximum expenditure authorized for the function, department and/or activity for which the amount of such appropriation is shown therein.

SECTION 3. No warrant shall be issued or indebtedness incurred which exceeds the unexpended balance of the appropriation hereinabove authorized unless such appropriation shall have been amended by a supplemental appropriation of the Council.

SECTION 4. Any increase in appropriation in a departmental budget, whether accomplished through a change in anticipated revenues, or through a transfer of appropriation among funds shall require the approval of the City Council. The transfer of appropriations among the various accounts within a departmental budget shall only require the approval of the City Manager pursuant to Section 705 of the City Charter. All funds collected by the City's Art and Cultural Commission or through outside donation(s) for specific purpose(s) shall not be subject to appropriation by the City Council.

SECTION 5. The Finance Director is hereby authorized to transfer monies in accordance with the interfund transfers and advances listed in the budget document in such amounts and at such times during the fiscal year as the Manager may deem necessary for the competent operation and control of City business.

SECTION 6. The appropriation for Capital Improvement and other Special projects shall continue through budget years without need of reappropriation until Notice of Completion is filed for said projects, or appropriations are amended by the City Council.

SECTION 7. The Finance Director is hereby authorized to establish the appropriate Class Specifications and Salary Ranges as outlined in the proposed 2006-07 Budget, as amendments to the City-wide Classification and Salary schedule.

SECTION 8. That, as required by Article XIII B of the California Constitution, Section 8(e) (2)(B), the "change in cost of living" for the 2004-05 fiscal year shall be the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction.

SECTION 9. That, as required by Article XIII B, Section 8(f) of the California Constitution and Government Code Section 7901(b), the "change in population" for the 2006-07 fiscal year shall be at the percentage change in population within the County of Humboldt, as defined in Government Code Section 7901(b).

SECTION 10. That, as required by Section 7910 and 37200 of the Government Code, the Appropriations Limit of the City of Eureka for the fiscal year beginning July 1, 2006 is \$91,108,057 and the Appropriations Subject to Limitation for that year as set forth in Article XIII B of the California Constitution are \$14,177,700.

Resolutions



Passed, approved, and adopted by the Council of the City of Eureka, County of Humboldt, State of California, on the 20th day of June, 2006, by the following vote:

AYES:	COUNCILMEMBERS	WOLFORD, BASS-JACKSON, LEONARD, KERRIGAN, JONES
NOES:	COUNCILMEMBERS	NONE
ABSENT:	COUNCILMEMBERS	NONE


PETER LAVALLEE, Mayor

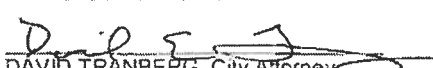
ATTEST:


KATHLEEN L. FRANCO SIMMONS, City Clerk

APPROVED AS TO ADMINISTRATION:


DAVID W. TYSON, City Manager

APPROVED AS TO FORM:


DAVID TRANBERG, City Attorney



EUREKA REDEVELOPMENT AGENCY

RESOLUTION NO. 2006-5

RESOLUTION OF THE EUREKA REDEVELOPMENT AGENCY ADOPTING THE BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2006

WHEREAS, the budget for the Eureka Redevelopment Agency for the fiscal year beginning July 1, 2006, as submitted by the Executive Director has been reviewed by the Agency Board;

NOW, THEREFORE, BE IT RESOLVED by the Eureka Redevelopment Agency of the City of Eureka as follows:

SECTION 1. That the Eureka Redevelopment Agency Annual Budget, Fiscal Year 2005-06 revised and amended, be, and the same is hereby adopted and appropriated for Fiscal Year beginning July 1, 2006. The Executive Director is directed to republish the same as on file in the City Clerk's office.

SECTION 2. The appropriation set forth in said budget shall be the maximum expenditure authorized for the function, department or activity for which the amount of such appropriation is shown therein. The Agency hereby determines that the planning and administrative expenses included in the Low and Moderate Income Housing Fund annual budget are necessary for the production, improvement, or preservation of low-and moderate-income housing and are not disproportionate to the amounts budgeted for the costs of production, improvement or preservation of that housing.

SECTION 3. No warrant shall be issued or indebtedness incurred which exceeds the unexpended balance of the appropriation hereinabove authorized unless such appropriation shall have been amended by a supplemental appropriation of the Agency Board.

SECTION 4. The Executive Director is hereby authorized to make budgetary revisions within a function, department, or activity if in the Director's opinion such revision is necessary or proper.

SECTION 5. The Finance Director designated as the Agency Finance Officer is hereby authorized to transfer monies in accordance with the interfund transfers listed in the budget document in such amounts and at such times during the fiscal year as the Manager may deem necessary for the competent operation and control of Agency business.

SECTION 6. The appropriation for Capital Improvement and other special projects shall continue through budget years without need of reappropriation until Notice of Completion is filed for said projects, or appropriations are amended by the City Council.

SECTION 7. The Agency Finance Officer is hereby authorized to establish special revenue funds necessary to account for redevelopment projects other than capital projects.

Resolutions



Passed, approved, and adopted by the Eureka Redevelopment Agency Board, County of Humboldt, State of California, on the 20th day of June, 2006, by the following vote:

AYES:	BOARDMEMBERS	WOLFORD, BASS-JACKSON, LEONARD, KERRIGAN, JONES
NOES:	BOARDMEMBERS	NONE
ABSENT:	BOARDMEMBERS	NONE

EUREKA REDEVELOPMENT AGENCY


Chairperson

ATTEST:


Executive Secretary

APPROVED AS TO ADMINISTRATION:


Executive Director

APPROVED AS TO FORM:


Agency General Counsel



EUREKA PUBLIC FINANCING AUTHORITY

RESOLUTION NO. 25

RESOLUTION OF THE EUREKA PUBLIC FINANCING AUTHORITY ADOPTING THE BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2006

WHEREAS, the budget for the Eureka Public Financing Authority for the fiscal year beginning July 1, 2006, as submitted by the Executive Director has been reviewed by the Authority Board of Directors;

NOW, THEREFORE, BE IT RESOLVED by the Eureka Public Financing Authority of the City of Eureka as follows:

SECTION 1. That the Eureka Public Financing Authority Annual Budget, Fiscal Year 2005-06 revised and amended, be, and the same is hereby adopted and appropriated for Fiscal Year beginning July 1, 2006. The Executive Director is directed to republish the same as on file in the City Clerk's office.

SECTION 2. The appropriation set forth in said budget shall be the maximum expenditure authorized for the function, department or activity for which the amount of such appropriation is shown therein.

SECTION 3. No warrant shall be issued or indebtedness incurred which exceeds the unexpended balance of the appropriation hereinabove authorized unless such appropriation shall have been amended by a supplemental appropriation of the Authorizing Board of Directors.

SECTION 4. The Executive Director is hereby authorized to make budgetary revisions within a function, department, or activity if in the Director's opinion such revision is necessary or proper.

SECTION 5. The Finance Director designated as the Authority Treasurer is hereby authorized to transfer monies in accordance with the interfund transfers listed in the budget document in such amounts and at such times during the fiscal year as the Manager may deem necessary for the competent operation and control of Authority business.

SECTION 6. The appropriation for Capital Improvement projects shall continue through budget years without need of reappropriation until Notice of Completion is filed for said projects, or appropriations are amended by the City Council.


Resolutions




Passed, approved, and adopted by the Council of the City of Eureka, County of Humboldt, State of California, on the 20th day of June, 2006, by the following vote:

AYES:	BOARDMEMBERS	WOLFORD, BASS-JACKSON, LEONARD, KERRIGAN, JONES
NOES:	BOARDMEMBERS	NONE
ABSENT:	BOARDMEMBERS	NONE

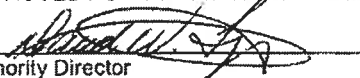
EUREKA PUBLIC FINANCING AUTHORITY


Chairperson

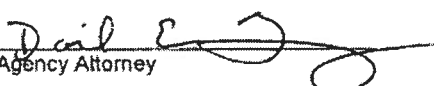
ATTEST:


Secretary

APPROVED AS TO ADMINISTRATION:


Authority Director

APPROVED AS TO FORM:


Agency Attorney